

Agbiz Biennial Report

Address by the Chairman

Mr Schalk Pienaar

Deputy Chair, Agbiz members, guest speakers, media representatives, ladies and gentlemen

Allow me to also extend a hearty word of welcome to all of you! We are indeed privileged and honoured by the great attendance here of so many prominent leaders and role-players of the agribusiness community in South Africa. I believe that the great support we are witnessing by the large number of delegates is indicative of the increasing importance being placed by so many role-players on the agro food value chain. I sincerely hope that you will all leave here tomorrow empowered, inspired and enthused by what you have learned from our speakers. I also hope that you will all leave with good feelings and strengthened by the new and renewed acquaintances you have made during our breaks and functions – it is after all one of the better by-products one can get from attending a congress and conference, namely to use the opportunity to network. I do sincerely hope that we will leave from here we will take something with us that Mark Twain has said ; “ The two most important days in your life are the day you are born and the day you find out why” – I trust that the Congress will contribute towards us finding out why we were born !

After 20 years of democracy, South Africa has witnessed huge change and transformation, and mostly for the better. Various independent and scientific reports have indicated increased household income, better household living conditions and improved household food security. The South African Advertising Research Foundation has indicated the very significant movement of households out of the poorer Living Standard Measures, viz. LSM's 1, 2 and 3, and into the middle class LSM's of 4, 5, 6 and higher.

In addition, the March 2014 Stats SA Report on “Poverty trends in South Africa: An examination of Absolute Poverty trends between 2006 and 2011”, indicated that despite the 2008/09 economic downturn, South Africa succeeded in reducing poverty over this period. This was driven primarily by an expanding social safety net, income growth, above inflation wage increases, decelerating inflationary pressure on households and the growth in formal housing.

The global geopolitical environment has also been characterized by major shifts and risks – and have’nt we seen some of this happening in different parts of the world during the last few months and weeks. There are very dangerous developments happening on a wide front that hold the potential to change the course of history if not managed responsibly. Business has had to contend with these economic and political power changes and risks, as well as the rise of new markets on an unheralded scale. In this regard the huge growth in African markets is no longer a future factor – it has become a present day reality. No longer is it only the brave that ventures into Africa north from our borders – it has become a steady stream of developers, investors, other business people and recently also increasing numbers of farmers and agro support businesses.

These, and earlier developments, have brought about new policies and legislation to maintain pace with increasing demands for food, water, energy, education, healthcare, safety and security, and a general expectation for improved quality of life and technology to support the new order. Policy and legislation development has however also been aimed at addressing the issues of continuous high unemployment, further poverty alleviation and lingering inequality. Despite so many positive developments I am concerned that despite good policies and legislation, the implementation capacity of government remains hugely constrained and that high unemployment and below standards of service delivery is cause for serious concern for the well-being of our economy.

Agribusiness finds itself in the midst of all these developments and shifts – both nationally and internationally. Agribusiness needs to continually assess the environment and reposition itself

to keep abreast of this evolving and dynamic world order so that competitiveness and sustainability are ensured. This is no more true in South Africa where society continues to transform and economic policy increasingly moves from an open market economy to what The Economist terms 'State Capitalism', where the state plays a significant, if not the major role, in the country's economy. While this approach can stimulate economic growth if approached carefully and in partnership with the private sector, its downside is also that it crowds out private sector and the efficiencies it brings, as well as significantly discourages private sector investment.

Given South Africa's well-documented structural economic problems and the state's increasing participation in the economy, the question arises whether South Africa's economy will grow sufficiently to meet its needs and demands. In World Economic Forum (WEF) terms, can South Africa graduate from a basic efficiency-driven economy to an innovation-driven economy? South Africa's continuous slide in the WEF's Annual Global Competitiveness Index over the past number of years raises alarm bells. Agbiz is concerned that current socio-economic policy will condemn South Africa to a GDP growth rate of around 2-3 percent per annum over the next couple of years, which is totally inadequate. It is beyond me that our government is hell bent on exercising control over so many aspects of our daily lives and more particularly the business environment. Why is it not possible for South Africa to follow so many shining examples of spectacular economic growth that occurred elsewhere on the planet – mostly where governments created level playing fields as well as climates conducive for the private sector to unleash its potential and thereby contributing hugely to reducing poverty, reducing unemployment and raising productivity and increasing wealth. If my words sound like government bashing it is partly true. I also have a word of warning for the private sector. We, as the private sector must also roll up our sleeves and get stuck in to regenerate our productivity; we should invest heavily in the training of staff to up the skills levels; we do not spend nearly enough resources on research and development as is the case in countries we compete with. We, as the private sector must support our industry bodies much more than we do. Whilst Agbiz is well represented of South African agribusiness, to many other industry bodies are

struggling to survive. This is not good because it negatively affects their potential to effectively engage government in the interests of private enterprise. We need to heed the wisdom of Milton Friedman who said: “ Indeed , a major source of objection to a free economy is precisely that it gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself”. He also said : “ So that the record of history is absolutely cristal clear ; That there is no alternative way , so far discovered, of improving the lot of the ordinary people that can hold a candle to the productive activities that are unleashed by a free enterprise system”.

Agbiz – A Strategic Imperative

The diverse, intense and focused nature of the scope of matters dealt with by Agbiz are the fundamental reasons for its existence. The range of these activities is dealt with in the biennial report. It is highly unlikely that individual agribusinesses have the means in terms of time, financial resources, location and intellectual capital to pursue its vital interests and concerns with government, industry and international role players to ensure an optimum playing field where its business can be conducted. The key focus areas of Agbiz are testament to this reality.

Agbiz has transformed itself from a “co-operative body” since its inception in 1946 to a fully-fledged agribusiness sector organization. The transformation did not take place with a few decisions and amendments to our constitution, but has rather been a rapid up-scaling of the focus areas over the last number of years, necessitated by transformation of the national policy and governance environments, as well as the awakening of the African continent as an economic and business area attracting increasing international attention. In order to keep pace with the demands of these environments, Agbiz is increasingly involved in agribusiness affairs on a consultative, facilitating and advisory role. We do not endeavor to win popularity contests in doing this – we strive to do what is right and best in the interests of our members. Aristotle said ; “there is only one way to avoid criticism : say nothing, do nothing and be nothing”. We often also take heart from what General Norman Schwarzkopf said: “ You learn far more from

negative leadership than from positive leadership. (Why ?) Because you learn how not to do it. And, therefore, you learn how to do it”.

The huge demands on the South African economy and the on-going search for policies and models to sustainably grow the economy at acceptable levels directly affects Agbiz, and especially its members. Infrastructure, energy, water, climate change, transformation issues, a positive and supportive trade environment, skills development, innovation and technological demands are but a few of the matters that are dealt with by Agbiz on a full-time and on-going basis. Little wonder that there are demands for still greater support and involvement by Agbiz in these matters on behalf of its members. The “light house” role of Agbiz will become less of an instrument to warn of pitfalls and risks, and more of a directional beacon to show the way forward for profitable, competitive and sustainable business. In doing so, the obvious support of an increasing membership, as well as the adequate funding of Agbiz, will be paramount. I challenge you all to join us on this journey and to make your greatly needed inputs and contributions whether called for or not. Agbiz exists for you – it belongs to you. Use us for your own best interests. It is beyond me that our government is hell bent on exercising control over so many aspects of our daily lives and more particularly the business environment. Why is it not possible for South Africa to follow so many shining examples of spectacular economic growth that occurred elsewhere on the planet – mostly where governments created level playing fields as well as climates conducive for the private sector to unleash its potential and thereby contributing hugely to reducing poverty, reducing unemployment and raising productivity. I am, however encouraged by positive noises recently from policy makers – we just need action and we need it now. We all need to realize that the most powerful agent of change and transformation is something much more basic than any technique ; a change of heart. A certain John Wooden said that “things turn out best for the people who make the best of the way things turn out”.

Membership

Agbiz has seen a steady increase in its membership over the last two years. What has been most gratifying is that our membership has diversified and now includes role players across the spectrum of input suppliers to primary producers and processors that connect farmers to consumers of their products. The voice of agribusiness and what it stands for has become respected – untainted by unwanted affiliations – driven only by a clear vision and focus in the business interests of members. Agbiz welcomes new members who can associate themselves with its basic values and agenda.

Regrettably we had to say goodbye to some members who, through a variety of reasons such as mergers and organizational changes, had to terminate their membership. Where appropriate we wish them well and hope that their prior association with us will continue to add value to their businesses.

Challenges remain in terms of membership. The Executive Committee and the Council will continue to pursue new and innovative initiatives to facilitate new membership, to accommodate different sizes of membership organizations and to ensure greater access of members to the activities of Agbiz.

Obituary

My predecessor as chairman of Agbiz, Corwyn Botha, sadly passed away on 5 April this year. Although he had retired from KaapAgri he continued to be involved in a number of agricultural related activities – often facilitating new ways to approach constraints and dilemmas in and between organizations and opposing views. We will sorely miss him and I honor his memory.

Appreciation

A very warm word of appreciation goes to our members who have supported Agbiz and, where possible, participated in our activities. They have often gone to great lengths to attend workshops

and react to requests for information and inputs on a variety of conceptual policies and position papers.

It has been a privilege to experience the support and involvement of the Executive Committee of Agbiz. Their combined wisdom has made Executive Committee deliberations a positive and enriching experience.

No appreciation will be complete without including those organizations and persons who have rendered sterling support through their association, financial contributions and otherwise during the last two years. It has been an honor to have received so much in all forms from people and organizations who we can truly refer to as friends of Agbiz.

Dr John Purchase, our Chief Executive, Lindie Stroebel, Tinashe Kapuya, Jennifer Roets, Erika Ruppig and Linette Jordaan are the true champions of Agbiz. As our executive staff it is truly impressive what they achieve in so many respects. Council agendas are but a summary of all their activities and yet they do still more. To them my sincere thanks and appreciation for being a remarkable team of men and women – a team whom we are all immensely proud of.

I thank you.